National Film Board of Canada

2011-2012

Quarterly Financial Report ending June 30, 2011

National Film Board of Canada
Quarterly Financial Report
For the quarter ended June 30, 2011

1. Introduction

The National Film Board (NFB) was created by an act of Parliament in 1939. A federal cultural agency within the Canadian Heritage portfolio, the NFB exists to produce and distribute original and innovative audiovisual works that add to our understanding of the issues facing Canadians and raise awareness of Canadian values and viewpoints across the country and around the world. The NFB serves Canadians by producing and making accessible, in all regions of the country and on all available platforms, rich and diverse cultural content that reflects Canada's rapidly shifting demographic profile – content that would otherwise not be produced. A brief description of the agency's activities for the current year can be found in *Part II of the Main Estimates*.

This quarterly report has been prepared by management as required by Section 65.1 of the *Financial Administration Act*, and in the form and manner prescribed by the Treasury Board. This quarterly report should be read in conjunction with the Main Estimates.

Basis of presentation

This quarterly report has been prepared by management using an expenditure basis of accounting. The accompanying Statement of Authorities includes the agency's spending authorities granted by Parliament and those used by the agency consistent with the Main Estimates and Supplementary Estimates for the 2011-2012 fiscal year. This quarterly report has been prepared using a special purpose financial reporting framework designed to meet financial information needs with respect to the use of spending authorities.

The authority of Parliament is required before moneys can be spent by the Government. Approvals are given in the form of annually approved limits through appropriation acts or through legislation in the form of statutory spending authority for specific purposes.

The NFB uses the full accrual method of accounting to prepare and present its annual financial statements in accordance with Treasury Board accounting principles, which are consistent with Canadian generally accepted accounting principles for the public sector. However, the spending authorities voted by Parliament remain on an expenditure basis.

This quarterly report has not been subject to an external audit or review.

2. Highlights of fiscal quarter and fiscal year to date (YTD) results

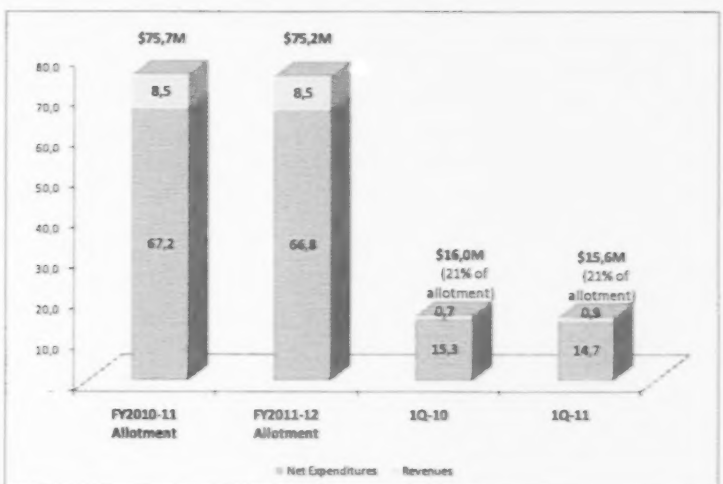
Statement of Authorities

The NFB has planned expenditures of $66.8 million and revenues estimates of $8.5 million for 2011-2012. These amounts were approved under a Governor General's warrant issued on June 27, 2011. Overall, the organization foresees a reduction in expenditures of $435.4 thousand, or 0.6 percent compared to the previous Main Estimates, owing to:

• an increase of $0.2 million due to an adjustment to the employee benefit plans from 25.5% to 26.5%;

• a decrease of $0.4 million due to net cost containment measures to reduce the rate of growth in operating expenditures announced in Budget 2010; and

• a decrease of $0.2 million due to the efficiencies program (Budget 2007).



The total net budgetary expenditures in the first quarter were $14.7 million, corresponding to a use of 21% of our available total, which is similar to last year's results for the same period.

Departmental budgetary expenditures by Standard Object

Actual net budgetary expenditures in the first quarter, totalling $14,662 million, were down by $642,000 compared to the same period last year. The decrease in actual gross budgetary expenditures in the first quarter totalled $454,000 (see Table 2).

This decrease is mainly owing to these key elements:

Revenues increased by $188,000. This increase is mainly due to the agreement made with the Government of Nunavut Department of Education for a major project concerning the Inuit audiovisual heritage. An amount of $155,000 related to this project was recorded in the first quarter of 2011-2012.

Transportation and communication costs decreased by $167,000. During the first quarter of 2010-2011, several film production projects were in the shooting phase and therefore required more travel expenditures. Moreover, the Board of Trustees meeting in June 2010 was held in Iqaluit and Kuujjuaq as a way of helping the NFB strengthen its ties with the community. This undoubtedly contributed to solidifying the partnership with the Government of Nunavut Department of Education.

Professional and special services consist primarily of audiovisual services for film production and cash financing in co-productions. During the first quarter of 2010-2011, co-production expenditures were higher than in the current quarter, which accounts for the decrease of $132,000.

The $271,000 decrease in machinery and equipment acquisition expenditures is mainly due to the end of lease purchase contracts for equipment acquired during the digital transition, for which the NFB exercised the options to purchase in 2010-2011.

For the NFB's Digital Strategy, the release of digital rights is an important issue. The ONF.ca Screening Room has 2,000 titles that can be viewed online and the digital rights release is continuing. We are also developing the transactional services available on ONF.ca for both the consumer and the education markets. These initiatives accounted for the $196,000 increase in other expenditures compared to the same period last year.

The other types of expenditures by standard object are in line with the historic trends.

3. Risks and Uncertainties

The new digital technologies are revolutionizing the audiovisual industry here in Canada and around the world. This revolution offers tremendous new opportunities and potential for new business models. The NFB has made great strides in this realm, thanks to its innovative digitization plan and the creation of its NFB.ca online Screening Room. These technological advances have required significant financial outlays by the institution. The NFB will continue to monitor technological changes and wisely invest financial resources in its future programming and accessibility mechanisms.

In addition, the mobility of consumer platforms and the variety of formats to be provided pose enormous challenges. Rights clearance for digital content is chief among them. The NFB will ensure sufficient financial resources are dedicated to meet this particular challenge.

Decreasing traditional revenues is a risk to the NFB. However, the institution intends to take advantage of new digital opportunities to mitigate the effects of the reduction in its traditional revenues.

4. Significant changes in relation to operations, personnel and programs

No significant changes related to operations, personnel and programs having an impact on financial reporting occurred during the quarter ended June 30, 2011.

Approved by:

Tom Perlmutter

Tom Perlmutter

Film Commissioner

Montreal, Canada

August 29, 2011

Luisa Frate

Luisa Frate, CA

Director General
COO, CFO, CTO

Montreal, Canada

August 29, 2011

National Film Board of Canada
Quarterly Financial Report
For the quarter ended June 30, 2011

Table 1 : Statement of Authorities ***(unaudited)***

	Fiscal Year 2011-2012			Fiscal Year 2010-2011		
	Total available for use for the year ending March 31, 2012*	Used during the quarter ended June 30, 2011	Year to date used at the quarter-end	Total available for use for the year ending March 31, 2011*	Used during the quarter ended June 30, 2010	Year to date used at the quarter-end
Vote 70 - Operating expenditures	66 782 204	14 661 925	14 661 925	67 217 560	15 303 914	15 303 914
Total Budgetary authorities	66 782 204	14 661 925	14 661 925	67 217 560	15 303 914	15 303 914
Total authorities	**66 782 204**	**14 661 925**	**14 661 925**	**67 217 560**	**15 303 914**	**15 303 914**

**Includes only Authorities available for use and granted by Parliament at quarter-end.*

National Film Board of Canada
Quarterly Financial Report
For the quarter ended June 30, 2011

Table 2 : Departmental budgetary expenditures by Standard Object *(unaudited)*

	Fiscal Year 2011-2012			Fiscal Year 2010-2011		
	Planned expenditures for the year ending March 31, 2012*	Expended during the quarter ended June 30, 2011	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2011*	Expended during the quarter ended June 30, 2010	Year to date used at quarter-end
Expenditures:						
Personnel	41 937 630	9 546 039	9 546 039	42 194 987	9 504 515	9 504 515
Transportation and communications	2 959 182	517 268	517 268	3 179 229	684 753	684 753
Information	663 981	153 842	153 842	818 147	202 152	202 152
Professional and special services	13 773 031	1 548 352	1 548 352	13 300 851	1 679 925	1 679 925
Rentals	8 106 530	2 138 242	2 138 242	7 997 120	2 184 971	2 184 971
Repair and maintenance	2 177 901	596 448	596 448	951 115	550 883	550 883
Utilities, materials and supplies	1 207 677	199 068	199 068	1 247 749	231 047	231 047
Acquisition of land, buildings and works						
Acquisition of machinery and equipment	3 116 709	602 982	602 982	4 008 768	873 898	873 898
Transfer payments	250 000	7 000	7 000	250 000	46 500	46 500
Public dept charges						
Other subsidies and payments	1 042 009	282 310	282 310	1 722 041	86 744	86 744
Total gross budgetary expenditures	**75 234 650**	**15 591 551**	**15 591 551**	**75 670 007**	**16 045 388**	**16 045 388**
Less Revenues netted against expenditures:						
Revenues credited to the vote	8 452 446	929 626	929 626	8 452 447	741 474	741 474
Total Revenues netted against expenditures	**8 452 446**	**929 626**	**929 626**	**8 452 447**	**741 474**	**741 474**
Total net budgetary expenditures	**66 782 204**	**14 661 925**	**14 661 925**	**67 217 560**	**15 303 914**	**15 303 914**

**Includes only Authorities available for use and granted by Parliament at quarter-end.*